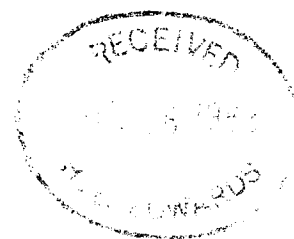


COLUMBIA FALLS ALUMINUM COMPANY

P.O. Box 10
Columbia Falls, Montana 59912
Telephone 406 892-3261



August 10, 1988

CERTIFIED MAIL

Atlantic Richfield Company
515 South Flower Street
Box 2679--T.A.
Los Angeles, CA 90051

Attention: Corporate Secretary

Gentlemen:

Ref: Acquisition Agreement Dated September 10, 1985
Between Montana Aluminum Investors Corp. and
Atlantic Richfield Company

On July 27, 1988, Columbia Falls Aluminum Company received a citation for an alleged violation of a stack opacity from the Montana Department of Health and Environmental Sciences.

The stack in question is an exhauster for the carbon paste plant mixers. The fume from this stack has remained approximately the same since the Columbia Falls plant was built. CFAC has made no major modifications to this system.

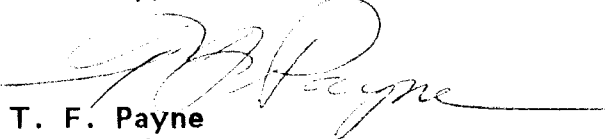
The problem here is obviously one that was in existence prior to the closing date between ARCO and MAIC. ARCO has agreed to indemnify CFAC for these liabilities [section 10(a)(iii)].

We are hereby notifying ARCO of this potential liability as per section 10(c) of the agreement.

Abatement costs for correcting this problem are currently under study. No decisions have been made, but rough estimates range from \$150,000 to \$250,000.

We will keep you informed as this matter progresses.

Sincerely,



T. F. Payne
Technical Manager

TFP/rb

mc: J. F. Lucas, ARCO Legal